

**CITY OF MUSCATINE  
ADOPTED BUDGET SUMMARY**

**FISCAL YEAR 2020/2021**

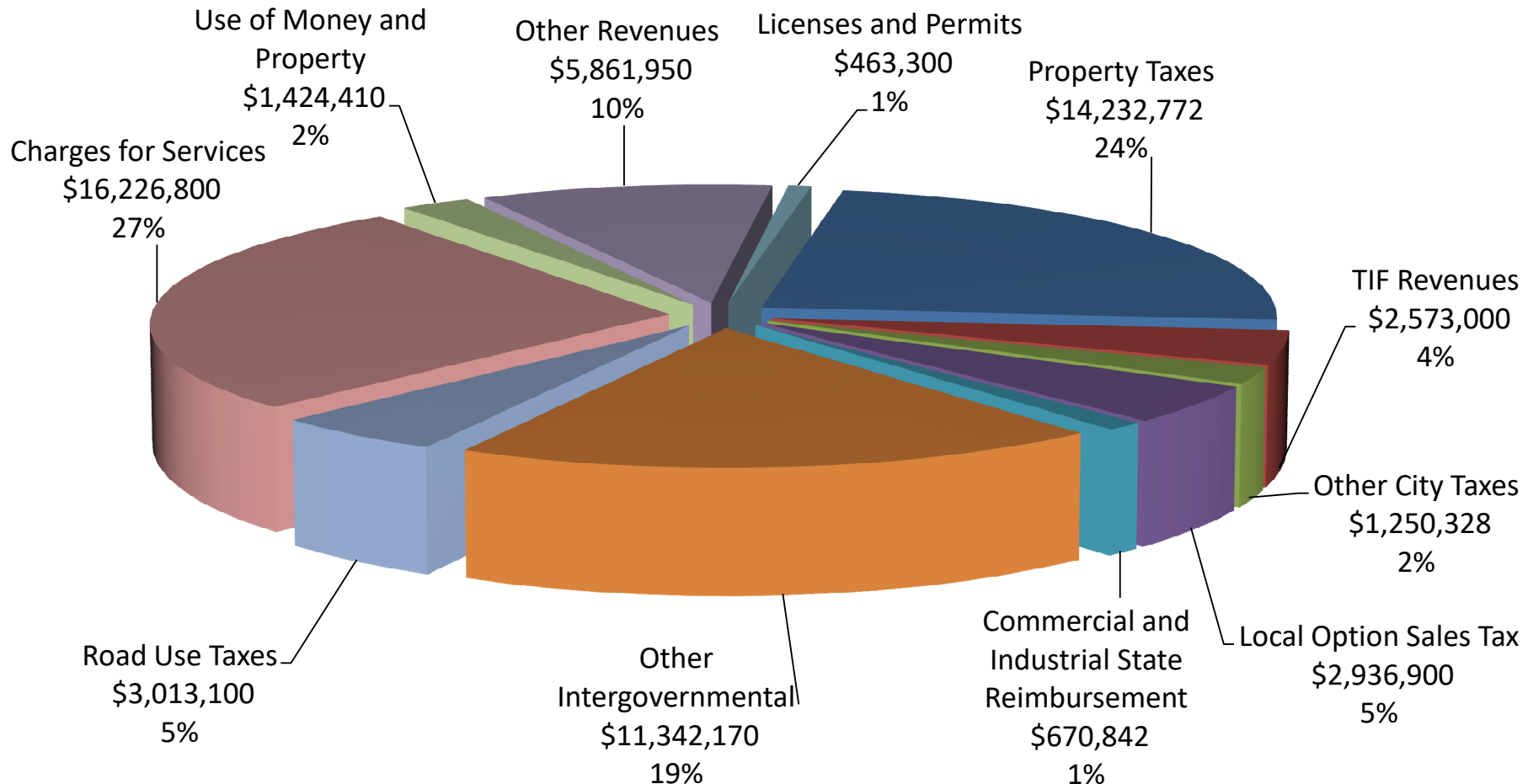
# **Adopted 2020/2021 Budget Summary**

- **The 2020/2021 budget includes:**
  - \$67,112,733 Operating and Capital Project Expenditures**
  - \$59,995,572 Revenues**
  - \$0 No new general obligation debt is budgeted in 2020/2021**
  - \$14,232,772 General Property Taxes (excluding TIF taxes)**
  - \$15.67209 City Tax Rate per \$1,000 valuation**
- **The budget maintains the Utility Franchise Fee rate at 5% as further discussed in a later slide.**

# Where Does the Money Come From?

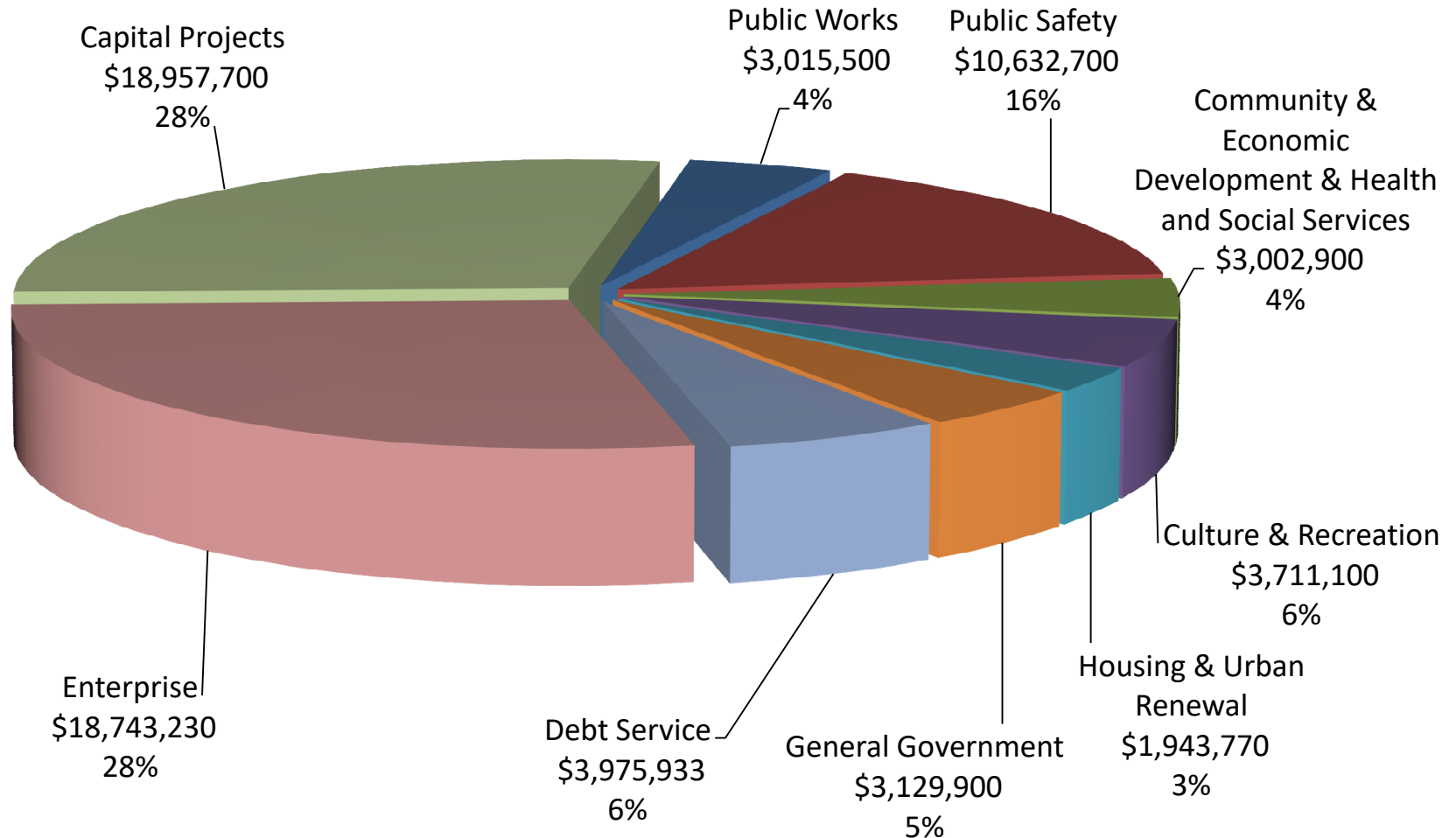
(See definitions at end of presentation)

## All City Funds Revenue Sources (Including Capital Projects) Budget 2020/2021 - \$59,995,572



# How are the Funds Used?

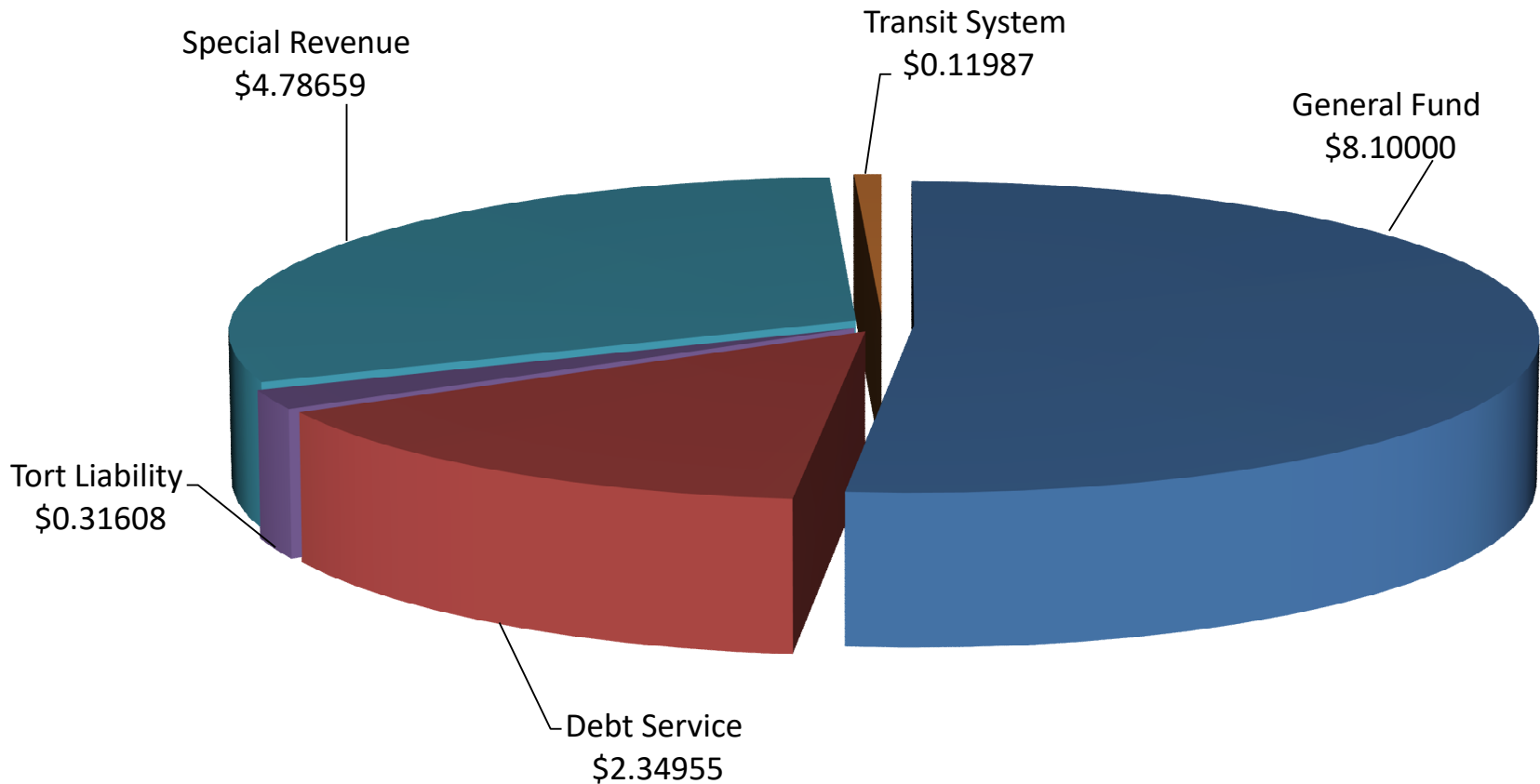
**All City Expenditures by Function (Including Capital Projects)**  
**Budget 2020/2021 - \$67,112,733**



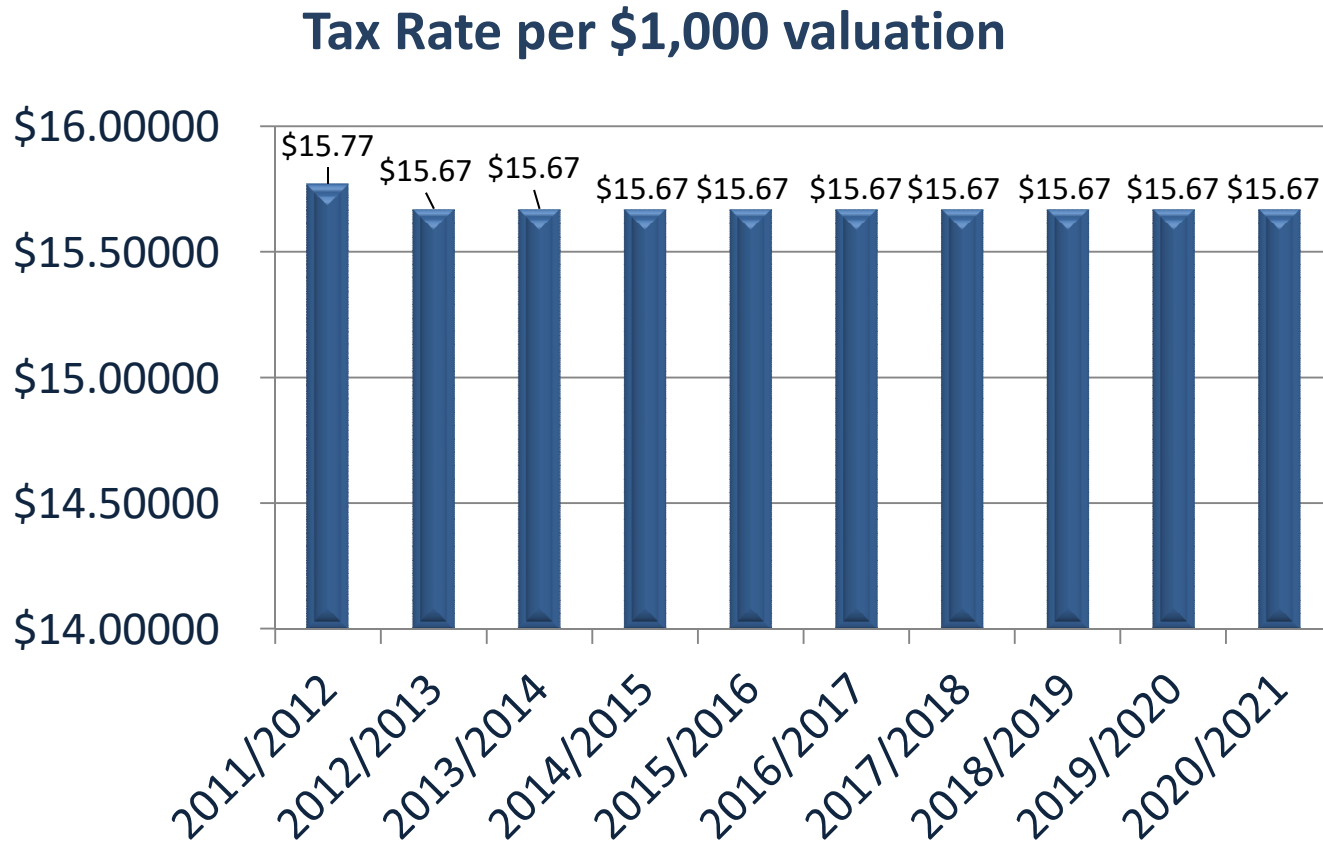
# City Tax Levy Rates by Type

FY 2020/2021

Total \$15.67209/\$1,000 Valuation



# City 10 Year Tax Rate History



Note – No increase in the city tax rate since 2011/2012

# The City Property Tax Rate

- **Good news! The City tax rate is budgeted to remain the same as the current year at \$15.67209 per \$1,000 of taxable valuation.**
- **The City has now maintained approximately the same rate for the last 11 years.**
- **The City was able to maintain the tax rate at this level even with increases in personnel costs, employee benefits costs, and other operating costs.**
- **Maintaining the same tax rate for 2020/2021 was possible due to offsetting the increases in the Transit and Employee Benefits levies with the decreases in the Debt Service and Tort Liability levies.**
- **The 2020/2021 property tax levy reflects funding 100% of General Fund employee benefit costs from the Employee Benefits levy. In prior years a portion of General Fund employee benefit costs was funded from the General Fund balance in order to maintain the same total property tax rate.**

# The City Property Tax Rate (Cont.)

- The property tax rate reflects increases and decreases in the individual levies that make up the total levy. These include:

General Fund	\$8.10000 (no change)
Transit	.11987 (inc. 113.8%)
Tort Liability	.31608 (dec. 1.5%)
Employee Benefits	4.78659 (inc. 4.2%)
Debt Service	2.34955 (dec. 9.6%)
Levee	<u>.00000</u> (not levied)
	<u>\$15.67209</u>



# The City Property Tax Rate (Cont.)

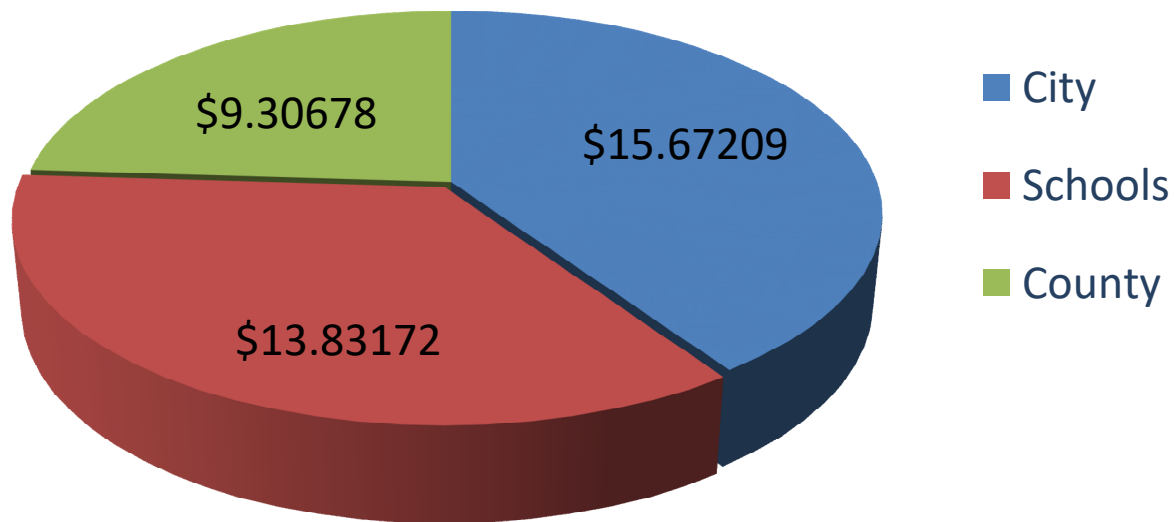
- The Emergency Levy was eliminated in the 2011/2012 budget and the 2012/2013 through 2020/2021 budgets also did not include emergency levies. If this tax would have been levied at the maximum rate of \$.27/\$1,000 of valuation for 2020/2021, this tax would have generated \$243,027.
- With the City's proposed tax rate of \$15.67209, the owner of home valued at \$100,000 (with rollback, a taxable value of \$55,074), will pay \$863 in City property taxes. This is \$29 less than the current year due to the change in the residential rollback factor.
- There was no change in the State rollback on commercial and industrial property in 2016/2017, 2017/2018, 2018/2019, 2019/2020, or 2020/2021. These valuations were rolled back from 100% to 95% in 2014/2015 and further rolled back to 90% in 2015/2016.
- Beginning in 2016/2017 multi-residential properties are in a separate property class from commercial properties. For 2016/2017 multi-residential properties were rolled back from 90% to 86.25% they were rolled back to 82.50% for 2017/2018, to 78.75% for 2018/2019, to 75.00% for 2019/2020, and will roll back to 71.25% for 2020/2021. The owner of multi-residential property valued at \$100,000 (with rollback, a taxable value of \$71,250), will pay \$1,117 in City property taxes. This is \$58 less than the current year due to the change in the multi-residential rollback factor. Multi-residential property valuations will continue to be rolled back over the next 3 years until their rollback is the same as the residential rollback.
- These changes reflects only the *City* portion of property owners' property tax bills. Property tax bills also include County and School district levies. Tax rates for these other entities are not yet available.

## Tax Levy Rates by Entity Fiscal Year 2019/2020

(2020/2021 Tax Rates for the School and County are not yet available)

Total Tax Rate \$38.81059/\$1,000 valuation

### Levies per \$1,000 valuation



# Where Do Each of Your Property Tax Dollars Go?



Above tax levy allocation reflects fiscal year 2019/2020 rates which total \$38.81059 per \$1,000 valuation. Tax levy rates for fiscal year 2020/2021 for the School and County are not yet available

# General Fund Highlights

- **The budget projects a General Fund ending balance on June 30, 2021 of \$4,742,508 which is 21.9% of General Fund expenditures. This more than meets the minimum of 16.7% required by the City's General Fund balance policy.**
- **This compares favorable with the ending balances for the last ten years**
  - **13.6% of expenditures at the end of 2010/2011**
  - **20.4% for 2011/2012**
  - **17.9% for 2012/2013 (decrease from prior year was budgeted and used for the purchase of a new fire engine and financial software)**
  - **19.2% for 2013/2014**
  - **22.6% for 2014/2015**
  - **23.1% for 2015/2016**
  - **22.8% for 2016/2017**
  - **25.0% for 2017/2018**
  - **24.1% for 2018/2019**
  - **22.3% for the 2019/2020 Revised Estimate**
  - **21.9% for the 2020/2021 budget**

# General Fund Highlights (Cont.)

The General Fund budget continues the current service levels provided to residents of the community. Significant budget items and assumptions include the following:

1. The budget includes funding for Police and Fire pension contribution of \$1,466,632. This is a \$84,462 (6.1%) increase from 2019/2020. The increase is due to the contribution rate increasing from 24.41% to 25.31% and increases in wages. This continues to be a significant cost to the City.
2. The City's contribution to IPERS for other City employees will remain at 9.44%. It should be noted that the employee share of IPERS contributions increase when the City's share increases since IPERS contribution rate increases are funded 60% by the local government and 40% by the employee.
3. The budget generally includes a 2.50% cost of living increase for both union and non-union employees. There were also adjustments to steps in wage scales in the Police and Fire union contracts.
4. In the 2019/2020 revised estimate General Fund FTE staff was reduced by .89, primarily for changes in the Library, Community Development, and Engineering budgets.
5. For the 2020/2021 budget, fulltime equivalent (FTE) staffing in the General Fund is budgeted to increase by 4.89 FTE positions compared to the 2019/2020 revised estimate. The 2020/2021 budget includes the addition of three firefighter positions due to the continued high call volume for Ambulance services especially requests for inter-facility transfers. The Right-of-Way Inspector position budgeted as a part-time employee in 2019/2020 was increased to a fulltime employee for 2020/2021 (+.56 FTE). Allocation changes in the Community Development budget resulted in a .42 FTE increase. A staff reorganization at the Library resulted in an increase of .91 FTE.

# General Fund Highlights (Cont.)

6. For 2020/2021 TIF funds will continue to be used to fund City economic development administrative and marketing costs (\$159,000) as well as economic development efforts of the Chamber (GMCCI) (\$43,000).
7. The budget continues subsidies to outside agencies. The subsidy to the Humane Society is budgeted to increase by \$5,000 to \$80,000 and the subsidy to Senior Resources has been maintained at \$25,000 for the upcoming year. In 2015/2016 the City first approved a subsidy of \$25,000 to MCSA for their Homeless Prevention Program. This has since been changed to a contract for services. The \$25,000 funding level was continued in 2016/2017, 2017/2018, 2018/2019, and 2019/2020 and will continue in 2020/2021.
8. The budget reflects continuing the CVB's funding allocation at 25% of actual prior year hotel/motel tax revenue. This amount is estimated at \$125,000 for 2020/2021. The actual subsidy will be 25% of actual 2019/2020 hotel/motel tax receipts.
9. The budget continues funding contributions to the Equipment Replacement Fund and Computer Replacement Fund equivalent to the needs for 2020/2021 and future years.
10. The budget for all of the Park divisions include increases in seasonal employee wages. An updated Seasonal Pay Plan is budgeted to be effective April 1, 2020. As such, it will have an impact on both the 2019/2020 revised estimate and 2020/2021 budget. The goal of the requested pay plan update is to offer more competitive wages in an effort to recruit and retain qualified seasonal staff.
11. The budget adds an Athletic Facilities Supervisor position for Kent Stein Park and the Soccer Complex and eliminates the currently vacant Maintenance Worker I position.



# General Fund Highlights (Cont.)

12. The budget continues the increased funding in the Information Technology (IT) budget that was allocated beginning in 2019/2020. This increased level of funding is directly related to enhancing the security and improving the City's computer systems in an effort to reduce the risks for future ransomware or related attacks.
13. The budget is based on positioning the City to address economic challenges, maintaining the existing levels of services to the community, and positioning the City to meet new challenges. Future challenges could involve potential shortfalls in revenues from limited growth in taxable valuations resulting from the 2013 property tax legislation and possible additional loss of revenue from the automated traffic enforcement cameras.
14. The Utility Franchise Fee is budgeted to continue at 5%. This allows for the property tax rate to remain unchanged (even with only a .85% increase in taxable valuations) and also allows for the addition of three new firefighter positions.
15. The 2020/2021 General Fund budget is truly balanced with revenues exceeding expenditures by \$4,668. The budget also provides for a balance between:
  - \* The overall City property tax rate
  - \* Maintaining a sufficient level of General Fund balance - the budget is based on maintaining a fund balance which more than meets the minimum of 16.7% of expenditures per the General Fund Balance Policy
  - \* Providing departments with the resources and equipment needed to perform their department functions efficiently

# Enterprise Funds

- For the City's Enterprise funds, rate increases are budgeted for sewer, collection and drainage, and the golf course. The budget reflects a 3% increase in sewer and collection and drainage fees. A sewer rate study was completed in 2018 which set rates for 5 years (from July 1, 2018 through July 1, 2022) based on this study. The golf course daily green fees were increased by \$1.00 per round for the 2020 golf season. Season pass rates also increased by \$25 and golf cart rentals are increasing by \$1.00 for both the 9-hole and 18-hole rates.
- Fees are not budgeted to increase in the other enterprise funds including the transfer station, landfill, refuse collection, ambulance, transit, and parking.
- Enterprise operating budgets all have positive fund balances at the end of the 2020/2021 fiscal year. The Refuse Collection Fund has had deficit balances in recent years due to implementation of the automated refuse collection program. This deficit was eliminated in the 2018/2019 fiscal year. The accumulated deficit in the Landfill Fund was eliminated in 2014/2015. There were sufficient funds accumulated since that time to construct the next landfill cell in 2017/2018 and still maintain positive fund balances at the end of 2017/2018, 2018/2019, 2019/2020, and 2020/2021.
- The Transfer Station has had deficit balances in recent years primarily due to all of the revenue from the negotiated industrial contracts being credited to the Landfill. The Landfill Committee reviewed and recommended to City Council that the allocation of the revenue from the full rate waste be changed from \$40/ton Landfill and \$20/ton Transfer Station to \$32/ton Landfill and \$28/ton Transfer Station. This resulted in a reduction in the prior year deficits. The 2019/2020 budget included a further change in the allocation of the full rate fee to \$30/ton Landfill and \$30/ton Transfer Station and those rates have been maintained for 2020/2021. This allocation has eliminated the deficit in the Transfer Station fund and has generated sufficient funds for needed equipment replacements and facility improvements.



# Capital Projects Summary

In addition to the operating budget, the 2020/2021 budget includes a total of \$18,957,700 for capital projects including:

1. \$7,070,000 for the Grandview Avenue Corridor project.
2. \$1,000,000 for Ongoing Pavement Management projects.
3. \$2,450,000 for Park Avenue Improvements including conversion of a portion of this roadway from a 4-lane to a 3-lane configuration.
4. \$100,000 for the new sidewalk program.
5. \$2,395,000 for the West Hill Sewer project.
6. \$120,000 for Soccer Field #3 improvements.
6. \$19,900 for deferred maintenance projects for city buildings and facilities.
7. \$2,180,200 for the Downtown Streetscape project.
8. \$244,800 for the engineering study for renovation of the former IDOT maintenance building.
9. An estimated \$478,500 for a portion of the repairs needed from the 2019 flood.
10. \$2,899,300 for reconstruction of Airport Taxiway A.

These projects will be funded from grants, local option sales tax, road use tax, available fund balances, and bond proceeds.

The budget for 2020/2021 is the overall financial plan for both operating and capital expenditures for the City. The budget continues to provide for the numerous services provided to the residents of the community, maintains a good General Fund balance, and provides for infrastructure improvements to continue in the City.

# FY 2021 and Beyond

- As discussed during the budget review process there are several concerns for the upcoming year and beyond.
- Two significant concerns are the State maintaining the backfill for the commercial and industrial property rollbacks and possible action by the State Legislature further limiting the operation of Automated Traffic Enforcement cameras.
- The budget is based on factors known at the time the budget was scheduled for a public hearing. As such, the budget reflects the City continuing to receive the State backfill and also the revenue from the ATE cameras. If the State backfill would be fully eliminated by the State, there would be a total revenue reduction of \$670,842 (with \$565,139 directly impacting the General Fund, \$5,121 the Transit system, and \$100,572 the Debt Service Fund). If the ATEs would be prohibited by the State, there would be an additional \$500,000 revenue reduction. These total to a potential \$1,170,842 reduction in revenues to the City with \$1,065,139 directly impacting General Fund services.
- Police and Fire pension contributions will continue to be a significant cost to the City. The MFPRSI contribution rates are set each year. For 2019/2020 the contribution rate is 24.41% and it will increase to 25.31% for 2020/2021.
- Tax Increment Financing (TIF) changes also continue to be discussed by the State legislature. Staff will continue to communicate to our legislators the economic development benefits of the TIF program and the importance of preserving the option to use annual appropriations for future TIF rebate agreements.

# FY 2021 and Beyond

**As discussed during the budget review process and the previous slide, IDOT or Legislative changes may impact future Automatic Traffic Enforcement revenues which are budgeted at \$500,000 for 2020/2021. There is also a concern whether the State will continue the backfill funding to cities for the loss of revenue from the commercial and industrial property rollbacks. If further ATE restrictions are implemented or the State backfill is reduced, both of which will significantly impact revenues, the following interim plan is proposed to be used:**

- Provisions in the General Fund Balance Policy provide that “except for extraordinary circumstances, unassigned fund balance should not be used to fund any portion of ongoing and routine operating expenditures of the City”.**
- The policy then provides that: “Extraordinary circumstances can include significant revenue fluctuations (i.e. State legislative changes limiting property taxes, limiting automatic traffic enforcement (ATE) use, etc.). In the event that use of unassigned fund balance is necessary to provide a short-term solution to maintaining essential services, the City will evaluate current and future economic conditions to evaluate the extent of expenditure reductions or revenue increases that would be needed to achieve day-to-day financial stability and restore the fund balance.”**
- Having a strong General Fund balance and the Fund Balance Policy in place will allow time for staff and City Council to plan for how to address revenue reductions if they occur.**
- Recommended NEXT STEP (after legislative session) – Staff, Council, and public discussion of future revenues, expenditures, and City services for future years.**

# **Where Does the Money Come From?**

## **Category Information**

- **Property Taxes:** The city's tax levy rate for 2020/2021 is \$15.67209 per \$1,000 of taxable property valuations. Categories that comprise the total tax levy rate include the General Fund, Debt Service, Employee Benefits, Transit, Tort Liability (Insurance), and Levee tax levies.
- **Tax Increment Revenue:** Incremental taxes received from improvements in specific Urban Renewal/Tax Increment areas. These are taxes from the increase in taxable valuation compared to the base year before the developments were constructed. These funds are used to pay debt service costs for public improvement projects or can be in the form of TIF rebates to developers as provided for in Development Agreements approved by City Council before the improvements were constructed.
- **Other City Taxes:** Other City Taxes include Hotel/Motel Taxes, Utility Franchise Fees, and Cable Franchise Fees.
- **Local Option Sales Tax:** A voter-approved 1% sales tax on goods and services sold in the community with up to 20% of the proceeds used for Street improvements and a minimum of 80% used for Sewer improvements.
- **Road Use Taxes:** Taxes collected by the State of Iowa on sales of motor vehicle fuels, vehicle registration fees, etc. A portion of the taxes collected by the State are forwarded to local governments to fund street maintenance and improvement costs.

# **Where Does the Money Come From?**

## **Category Information (Cont.)**

- **Other Intergovernmental Revenues:** This category includes revenues from other governmental entities, including the Federal and State governments, and other local governmental entities. This includes grants for street and airport improvements, police capital purchases and operations, transit vehicles and operations, the City's Section 8 Housing and Public Housing programs, and various other department grants.
- **Charges for Services:** This category includes fees for sewer, refuse collection, transfer station, transit, golf course, ambulance, and fees for various Parks and Recreation department facilities and activities.
- **Licenses and Permits:** Includes building permit fees, beer and liquor license fees, animal licenses, and various miscellaneous licenses and permits.
- **Use of Money and Property:** This includes interest earned on city funds, rental fees from city facilities, and commissions from operations on city facilities.
- **Other Revenues:** Revenues not included in the above categories include administrative fees charged to various funds of the city, sales by city departments, costs reimbursed by city departments (self-insurance), and other reimbursements and miscellaneous income.